

## **John Iannis Mourmouras: Fostering British-Greek economic ties in the post-Brexit era.**

Speech by Professor John Iannis Mourmouras, Senior Deputy Governor of the Bank of Greece, at the reception of the All-Parliamentary Party Group for Greece in the Houses of Parliament, Westminster, London, 20 May 2019.

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*On Monday, 20 May, at 7.30 pm, at an event hosted by Honourable MP Alberto Costa, Chair of the All-Parliamentary Party Group (APPG) for Greece, at the Palace of Westminster in London, Deputy Governor, former Deputy Finance Minister, Professor John (Iannis) Mourmouras gave a keynote speech on fostering British-Greek economic ties in the post-Brexit era. The panel of speakers who addressed the event also included Secretary of State for the Environment, Michael Gove, Secretary of State for Trade, Liam Fox, and Greece's Alternate Minister of Finance, Mr. George Houliarakis. The event was also attended by the Greek Ambassador in London, Mr. Dimitris Karamitsos-Tziras, British MPs, as well as distinguished members of the Greek diaspora living in London, from business, finance, and academia.*

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Mr. Chair of the APPG Greece,  
Honourable Secretaries of State,  
Minister of the Hellenic Republic,  
Honourable Members of Parliament,  
Your Excellencies,  
Dear friends,

It is a great honour to be here this afternoon with you. Within the last month, my Bank commitments took me to both the Atlantic and Pacific, New Jersey and Sydney, but it is a great joy being here with you, in the mother of all Parliaments, with such distinguished participants. It's great to be back in London, my second home, where I lived for 15 years, back in the late '80s and '90s.

### **A Ties between Britain and Greece**

I'm not here of course to remind you of the strong ties between our two countries. Our two nations are not only maritime powers, sharing common ideals of freedom and justice, but also democracies drawing inspiration from their cradle, the Athenian Agora of Pericles, both also inspired by Aristotle, the greatest scholar of all times, according to the Harvard citations index, with major contributions on physics, mathematics, biology, astronomy, philosophy, politics, and also inspired by Alexander the Great, the greatest of all Greats in world history who brought Macedonian vigour and the Greek spirit to the far corners of the world of that time.

British philhellenes came out strong to support the Greek struggle for independence against the Ottomans. We fought on the same side on both world wars, in the Second World War against the Nazis and the whole world knows that we owe our freedom to the UK, and its leader, Winston Churchill, widely accepted as the greatest European – not only British – statesman of the last century. For the past 40 years, we are both members of the European Union.

### **B. Brexit**

Allow me to say one word about Brexit and Europe, before I say more about my own country, Greece.

Britain belongs to Europe, but apparently quite soon not to the European Union! We, in Greece and in Europe fully respect the firm decision of the British people to leave the EU. My only comment on this, if I may, is that a prolonged period feeds into uncertainty, and uncertainty is bad for the economy, for investment, for financial markets.

Personally, as a South European and an acclaimed expert on EMU, I will miss the UK in the EU. Europe will miss British values, from which it has gained, such as fair play, tolerance, cultural and social diversity, “my word is my bond”. You have been frontrunners in fighting corporatism and state cronyism within the EU. The British economy comes top in Europe in terms of pro-reform policies in the labour market, and second in terms of reforms in the product market. It has one of the lowest unemployment rates in the whole world right now, sound public finances, and a dynamic economy. Cassandras claim that the UK will face a recession as a result of Brexit – I’m not sure about that! I have every confidence in the UK’s strong institutions, the rule of law, economic diplomacy at the highest level, innovation everywhere, the best universities (LSE, Oxbridge, etc.) so no matter what, the UK and the City of London as a major financial center, will not only sail through, but in the medium-term will do very well.

### **C. Europe**

One word on Europe now. As we enter the euro’s third decade, and after this week’s European elections, I – myself a well-known pro-European – could predict that the serious challenges facing Europe won’t go away, even by the 2024 European election! Which are these challenges? First of all, migration: divisions between EU Member States over migration and asylum policy will persist. Given that migratory flows from poor countries (predominantly in Africa) will continue (there are already more than one million pending visa applications in the EU and, according to recent reports, Europe is the top destination for them), this will strengthen populism, which is bad news for reforms and good news for big governments. Let me remind you that four member states with populist governments in Europe (Poland, Austria, Hungary, and Italy).

A second challenge has to do with the fact that the North-European Member States are still not willing to accept burden-sharing (i.e. fiscal transfers, a common eurobond, banking union, etc.). Finally, the third challenge lies in the continuing divergence between the North and the South with regard to real wages and productivity and if Europe heads to a recession, this will complicate matters even more.

### **D. Greece**

Allow me now to say a few words with regard to the current situation and the challenges for the Greek economy.

Despite its recent economic hardships, Greece is firmly a member of an advanced economic club with global influence and the second most important reserve currency, it is a member of the OECD, of the North Atlantic Alliance (NATO), it is an important player in South-East Europe, a leader in the Balkan area, a pillar of stability and security in the region. Greece also has an increased strategic, geopolitical role in the region as it is becoming an energy hub for the transport of natural gas to the European continent through the conclusion of international agreements on the EastMed (Greece-Cyprus-Israel) and TAP energy pipelines, which are strongly supported by our traditional strategic ally, the United States.

I will not linger on the causes that triggered the greatest economic crisis in our country after the Second World War, nor on past mistakes of Greek governments and our lenders during the 3 MoUs. The worst is behind us, the country makes steady positive steps towards returning to the European normality and the Greek people look to the future with optimism.

According to my personal opinion, the main challenge for Greece is to maintain sustainable growth rates beyond 2% in the next decade. This will be achieved through lower taxation across the board and especially lower corporate tax rates sending a signal to the international investor community that Greece means business and, at the same time, rallying their interest to attract foreign direct investment, that is, greenfield investment, which translates into jobs and growth. This is now a transformed economy: the country risk has dramatically been reduced, valuations are low, unit labour costs have dropped and serious reforms have been implemented in the labour and product markets, making this, all in all, a favourable environment in sectors such as tourism, logistics, energy, start-ups, etc. This is the time to invest in Greece!

Secretaries of State Fox and Gove, we are looking forward to strengthening the bilateral relations between UK and Greece on trade, finance, investment, environment and climate change.